

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 SCCT-01 PA-01 PRS-01

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R 122220Z APR 76

FM AMEMXUSSY QUITO

TO SECSTATE WASHDC 9753

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 2704

E/9. 11652: GDS

TAGS: BEXP ELAB EC

SUBJ: WESTINGHOUSE/CEBOR REACHES TENTATIVE AGREEMENT FOR CONTINUED
ROLE IN PITA-TAMBO PROJECT

REF: QUITO 2607

1. WESTINGHOUSE/CEBOR EXECUTIVES HAVE INFORMED ECONOMIC/
COMMERCIAL COUNSELOR THAT ON APRIL 9 THEY REACHED AGREEMENT
WITH QUITO MUNICIPALITY UNDER WHICH THE U.S. FIRMS ARE TO
RESUME WORKING ON PITA-TAMBO PROJECT BUT IN REVISED ROLE,
ESSENTIALLY AS MANAGERIAL CONSULTANTS WITH ONLY A FEW
DIRECT-HIRE ECUADOREAN EMPLOYEES. VIRTUALLY ALL OTHER
ECUADOREAN EMPLOYEES WHO CONTINUE TO WORK ON PROJECT WILL DO
SO UNDER DIRECT HIRE BY MUNICIPALITY OR SUB-CONTRACTORS, NOT
BY THE U.S. FIRMS. AGREEMENT ALSO CALLS FOR INCREASED
POLICE PROTECTION TO KEEP DISSIDENT WORKERS OFF THE SRQE,#

AND AGREEMENT PROVIDES 45-DAY PERIOD FOR NEGOTIATION OF
U.S. FIRMS' FINANCIAL CLAIMS AGAINST MUNICIPALITY. (AT THIS
STAGE IT IS NOT CLEAR WHAT WOULD HAPPEN NEXT IF, AT END OF
THE 45 DAYS, NO AGREEMENT IS REACHED ON THE FINANCIAL
CLAIMS.)

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2. U.S. FIRMS RETURNED TO WORK AT THE SITE ON THIS NEW BASIS TODAY, APRIL 12. THEY FOUND SOME TWO DOZEN POLICE ON HAND, EFFECTIVELY KEEPING OUT A NUMBER OF DISSIDENT WORKERS WHO HAVE MADE EFFORTS TO ENTER THE SITE. THE POLICE ARE ADMITTING INTO THE SITE ONLY FOUR OR FIVE NON-DISSIDENT WORKERS AT A TIME, TO INFORM THEM OF THE PROSPECTIVE CHANGES IN THEIR HIRE (I.E., THAT IN MOST CASES THEY WILL HENCEFORTH BE EMPLOYED BY THE MUNICIPALITY), AND GIVING THEM THE OPTION TO RESIGN IF THEY WISH, WITH SEVERANCE PAY AND OTHER DUE BENEFITS.

3. FULL-SCALE WORK ON THE PROJECT IS TO BE RESUMED ON THIS REVISED BASIS MONDAY, APRIL 19. THE U.S. FIRMS FEAR THAT THE DISSIDENT WORKERS MAY CHOOSE TO RESUME MAKING TROUBLE ON THE OCCASION, AND HAVE ASKED FOR EXTRA POLICE PROTECTION THEN.

4. THE U.S. FIRMS AND THE MUNICIPALITY ARE HOPEFUL THAT THE IDB (WHICH IS FINANCING THE PROJECT) WILL RAPIDLY COMBUR# IN THE AGREED REVISIONS IN THE U.S. FIRMS' CONTRACTUAL RELATIONSHIP WITH THE MUNICIPALITY. PRELIMINARY DISCUSSIONS WITH THE LOCAL IDB REPRESENTATIVE APPARENTLY HAVE BEEN ENCOURAGING, BUT THERE APPEARS TO BE SOME POSSIBILITY THAT SDB HEADQUARTERS IN WASHINGTON WILL INTERPOSE OBJECTIONS THAT WOULD DELAY RESUMPTION OF WORK ON THE PROPOSED REVISED BASIS. A REPRESENTATIVE OF THE MUNICIPALITY HAS BEEN ISSUED A VISA FOR TRAVEL TO WASHINGTON FOR DISCUSSIONS IF THIS PROVES NECESSARY, AS EVERYBODY HERE HOPES WILL PROVE NOT TO BE THE CASE.
HEMENWAY

NOTE BY OC/T: # AS RECEIVED.

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